

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| APPLICATION OF BELL SOUTH |) | |
| TELECOMMUNICATIONS, INC. D/B/A |) | CASE NO. 94-121 |
| SOUTH CENTRAL BELL TELEPHONE COMPANY |) | |
| TO MODIFY ITS METHOD OF REGULATION |) | |

O R D E R

This matter arising upon petition of BellSouth Telecommunications, Inc. d/b/a South Central Bell Telephone Company ("South Central Bell"), filed July 26, 1994, pursuant to 807 KAR 5:001, Section 7, for confidential protection of its responses to Item 7(c) (Attachment 6) and portions of Item 18 of AT&T's data request of July 1, 1994, and of its responses to Item 15(b) (Attachment), Item 21 (Attachment), Item 44, Item 46, and Item 52 to the second data request of this Commission dated July 5, 1994, and of its responses to Item 177 (Attachment), Item 188 (Attachment), Item 292(c) (Attachment), Item 321 (Attachments A, B, and C), Item 323(a) (Attachments 1-4), Item 537(a) (i) and (ii), (b), and (c), Item 578(d), Item 583 (Attachment), Item 584(a) (Attachment), and 586(d) (Attachment) of the second data request of the Attorney General dated July 5, 1994, on the grounds that disclosure of the information is likely to cause South Central Bell competitive injury, and it appearing to this Commission as follows:

This proceeding was initiated upon the application of South Central Bell for a new method of regulation based upon prices

rather than earnings. Various parties have intervened including AT&T Communications of the South Central States, Inc. ("AT&T") and the Attorney General of Kentucky. In connection with the proceeding, the intervenors and the Commission have served South Central Bell a series of data requests, some of which call for information South Central Bell has petitioned to be withheld from public disclosure on the grounds that disclosure is likely to cause South Central Bell competitive injury.

The information sought to be protected is not known outside South Central Bell and is not disseminated within South Central Bell except to those employees who have a legitimate business need to know and act upon the information. South Central Bell seeks to preserve and protect the confidentiality of the information through all appropriate means.

KRS 61.872(1) requires information filed with the Commission to be available for public inspection unless specifically exempted by statute. Exemptions from this requirement are provided in KRS 61.878(1). That section of the statute exempts 11 categories of information. One category exempted in subparagraph (c) of that section is commercial information confidentially disclosed to the Commission. To qualify for that exemption, it must be established that disclosure of the information is likely to cause substantial competitive harm to the party from whom the information was obtained. To satisfy this test, the party claiming confidentiality must demonstrate actual competition and a likelihood of substantial competitive injury if the information is disclosed. Competitive

injury occurs when disclosure of the information gives competitors an unfair business advantage.

Item 15(b) of the Commission's Order asks South Central Bell to provide all workpapers and calculations used to derive its short-run and long-run incremental cost of providing each service in the basic category. Attachments A through I of this response consist of cost studies for each service in the basic category for which a cost study has been performed. The company's present and potential competitors for these services include cable television companies, cellular service providers, personal communications service providers, customer-owned coin-operated telephone providers, and others. Such competitors could use this information to determine the price below which South Central Bell cannot provide the service. Such information would be useful in marketing the competing services and, therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 21 of the Commission's Order asks for copies of all market studies or memoranda on marketing plans for message toll service. The plans contain information regarding marketing strategy, competitive analysis and market opportunities, sales channels, pricing strategies, and other information for South Central Bell's toll services. Competitors for toll service are primarily interexchange carriers. Such competitors could use this information to pinpoint market segments and product areas in which to concentrate and, thus, counter South Central Bell's strategies

for its toll products. Therefore, disclosure of this information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Items 44, 46, and 52 of the Commission's Order ask South Central Bell to provide any known changes to be proposed in rate design, any known changes to be proposed in the rates, terms and conditions of non-basic services, and any new services to be proposed through May 1997. Competitors could use this information to develop similar offerings or changes prior to South Central Bell instituting the change, thereby giving them an advantage in the marketplace. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Items 177 and 188 of the Attorney General's data request ask for a monthly comparison of actual and budgeted financial performances for 1993 and 1994, to date, and the company's operating and capital budgets for 1991, 1992, and 1993. In responding to these requests, South Central Bell has included attachments which provide information concerning not only the company's financial expectations in various market segments, but also whether the company is achieving those expectations. The information would provide South Central Bell's present and potential competitors with its performance in particular lines of business and indicate areas where South Central Bell may be more or less vulnerable to competitive injury. In addition, the construction budget may indicate service priorities with South

Central Bell in terms of capital allocation, which will aid competitors in targeting their competitive response. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 292(c) of the Attorney General's data request asks South Central Bell to provide workpapers which detail the "other" adjustment to Schedule C-3 provided in response to Item 12 of the Commission's initial data request to South Central Bell. The attachment to the response provides revenue and cost information with respect to a specific customer operating pursuant to a Commission approved special contract service arrangement. Cost support information could be used to attempt to negotiate with a customer or to improve competitors' negotiation with other customers for whom they are competing with South Central Bell for business. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Items 321 and 323 of the Attorney General's second data request ask for information regarding the company's 1994 forecast and the hypothetical outlooks provided in response to Item 10 of the Commission's initial data request. Attachments A through C of Item 321 and Attachments 1 through 4 of Item 323(a) provide information regarding the assumptions and back-up calculations used in the forecast and hypothetical values. These assumptions and calculations would provide competitors with the company's estimate

of its future growth and business results. This information would assist competitors in deciding whether to enter a market and will give current competitors a strategic advantage. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 537 of the Attorney General's data request asks for information regarding South Central Bell's proprietary strategic plan provided in response to Item 11 of the Commission's initial data request. The Attorney General refers to certain proprietary information in the questions for which confidential treatment was granted by this Commission by Order of June 23, 1994. The same protection should be granted to the responses to Items 537(a)(i), 537(a)(ii), 537(b), and 537(c).

The response to Item 584(a) of the Attorney General's data request contains South Central Bell's strategic plans for the last five years. Portions of the attachment to South Central Bell's response to Item 584(a) set forth its strategies for each of its lines of business in terms of pricing, service deployment, customer service, and network improvement. This information would provide a strategic advantage to South Central Bell's competitors. These competitors could use this information to develop their own market strategy and, therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 578(d) of the Attorney General's data request asks for cost estimates for deployment of digital switches, SS7, fiber optic cable and ISDN. The responses include estimated planning dollars for these services. Competitors can use this information to determine South Central Bell's plans for deployment of various technologies and services. This information would assist them in decision-making regarding their own deployment of these technologies and services to the detriment of South Central Bell. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 583 of the Attorney General's data request asks for information regarding penetration rates for optional services made possible by digital switching and SS7 by exchange and month. Proprietary customer gain information for ISDN and TouchStar services by exchange, by month, is provided in the attachment to this response. This information would enable present and potential competitors of South Central Bell to determine areas where there is significant interest in these services. Consequently, interexchange carriers, customer premises equipment providers and other present and potential competitors would know where to target their marketing efforts to the detriment of South Central Bell. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 586(d) of the Attorney General's data request asks for information on telephone penetration rates, access lines, local and long-distance calls. The attachment to this response provides South Central Bell's market penetration by year for various products and services. From this information, South Central Bell's competitors for these services can determine trends in South Central Bell's penetration levels which will guide them in strategic marketing of their own services. Therefore, disclosure of the information is likely to cause South Central Bell competitive injury and the information should be protected as confidential.

Item 7(c) of AT&T's data request asks for all tariff filings and supporting data filed and accepted to implement point of test adjustments under the incentive regulation plan. Attachment 6 to South Central Bell's response is its November 11, 1992 Private Line and Special Access tariff filing. This filing was granted confidential treatment by the Commission's Order dated December 2, 1992 and should, likewise, be granted confidential treatment in this proceeding.

Item 18 of AT&T's data request asks the average length of a working subscriber loop in South Central Bell's Kentucky service area. Competitors include cable television companies, interexchange carriers, cellular carriers, personal communications service providers, and others. Such competitors could use this information in assessing the feasibility of entry and in designing competing networks and services. Therefore disclosure of the

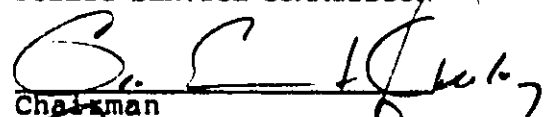
information will likely cause South Central Bell competitive injury and the information should be protected as confidential.

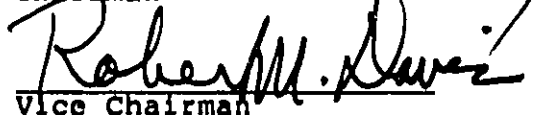
This Commission being otherwise sufficiently advised,

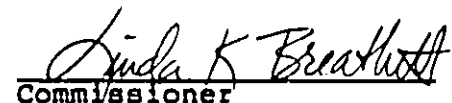
IT IS ORDERED that the responses to the Commission's Order dated July 5, 1994, Item 15(b), Attachments A through I; Item 21, Attachment; Item 44, Attachment; Item 46, Attachments; Item 52, Attachment; the second data request of the Attorney General dated July 5, 1994, Item 177, Attachment; Item 188, Attachment; Item 292(c), Attachment; Item 321, Attachments A through C; Item 323(a), Attachments 1 through 4; Item 537(a)(i); Item 537(a)(ii); Item 537(b); Item 537(c); Item 578(d); Item 583, Attachment; Item 584(a), Attachment; and Item 586(d), Attachment; and the responses to the data request of AT&T dated July 1, 1994, Item 7(c), Attachment 6; and Item 18, which South Central Bell has petitioned be withheld from public disclosure, shall be held and retained by this Commission as confidential and shall not be open for public inspection.

Done at Frankfort, Kentucky, this 25th day of August, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director